BEFORE ~~THE ARIZONA CORPORATION COMMISSION~~ **COMMISSION**

DOCKETED

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AZ CORP COMMISSION

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NOV 1 0 1998

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Nov 10 10 11 AM '98

DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION) OF TUCSON ELECTRIC POWER) COMPANY FOR APPROVAL OF ITS) PLAN FOR STRANDED COST) RECOVERY)	DOCKET NO. E-01933A-98-0471
IN THE MATTER OF THE FILING OF) TUCSON ELECTRIC POWER COMPANY) OF UNBUNDLED TARIFFS PURSUANT) TO A.A.C. R14-2-1601 et seq.)	DOCKET NO. E-~~01345A~~-97-0772 ✓ 1933A
IN THE MATTER OF COMPETITION IN) THE PROVISION OF ELECTRIC) SERVICES THROUGHOUT THE STATE) OF ARIZONA.)	DOCKET NO. RE-00000C-94-0165 ✓ **NOTICE OF FILING**

        Staff of the Arizona Corporation Commission ("Staff") hereby files the attached

corrected "Exhibit C" to the November 4, 1998, Settlement Agreement between Staff and Tucson

Electric Power Company. The Settlement Agreement, as filed on November 5, 1998, inadvertently

contained an incomplete Exhibit C.

        RESPECTFULLY SUBMITTED this _10th_ day of November, 1998

                                Paul A. Bullis
                                Paul A. Bullis
                                Christopher C. Kempley
                                Janice Alward
                                Janet Wagner
                                Attorneys, Legal Division
                                Arizona Corporation Commission
                                1200 West Washington
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1 Original and ten copies of
   the foregoing filed this /0th
2 day of November, 1998 with:

3 Docket Control
   Arizona Corporation Commission
4 1200 West Washington
   Phoenix, Arizona 85007
5
   Copy of the foregoing was
6 mailed this /0th day of
   November, 1998 to:
7
   All parties in Docket Nos. E-01933A-98-0471,
8 E-01933A-97-0772 and RE-00000C-94-0165

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10 By: _Mary Ippolito_

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Exhibit C

Competition Transition Charge and Transition Component Tariff

Pursuant to Arizona Corporation Commission Decision No. _____ (the "Decision"), Tucson Electric Power Company (the "Company") hereby transmits for filing, on the pricing date of these Competition Transition Bonds (the "Bonds"), the initial Competition Transition Charges and the initial Transition Components for the Company's Standard Offer Tariff (collectively, the "CTC Charges") for all existing and future customers. Capitalized terms not otherwise defined herein shall have the meanings given them in the Decision.

PURPOSE

This filing establishes the CTC Charges and the True-Up Mechanism to assure that Transition Property is paid in full over the Transition Period. This filing also describes the Transition Property to be sold to the SPE, the debt service schedule for payment of principal and interest on the Bonds to be sold by the SPE, and certain other related matters.

BACKGROUND

In the Decision, the Commission authorized the Company to file this Tariff once the Final Stranded Cost Amount (the "FSCA") has been determined at the conclusion of divestiture pursuant to the auction procedure approved in the Decision and when pricing terms for particular Bonds have been established. In the Decision, the Commission also authorized the Company to sell the Transition Property to the SPE and authorized the SPE to issue Bonds in an aggregate principal amount not to exceed the FSCA. This Tariff establishes the CTC Charges in the manner authorized by the Decision. The Formula Schedule attached hereto contains the formulas for calculating various amounts set forth in this Tariff.

FINAL STRANDED COST AMOUNT AND THE TRANSITION PROPERTY

The FSCA is $_____, which the Commission has determined the Company is entitled to receive together with interest on the unpaid balance. Until the date on which the Bonds are issued, interest shall accrue on the FSCA at the Company's general authorized rate of return. From and after the date on which the Bonds are issued, interest shall accrue at the rate of ____ % per annum. The interest rate has been calculated in accordance with the formula described in Section 1 of the Formula Schedule.

The Company's right to be paid these amounts through the collection of CTC Charges is the Transition Property which the Company is selling in whole or in part to the SPE. The Transition Property is to be collected in the future according to a schedule based upon level total principal and interest payments each year, adjusted within each year to reflect expected seasonal usage, and adjusted from year-to-year to reflect the expected annual growth in electricity consumption, all as set forth on Attachment 1.

ISSUANCE INFORMATION:

Competition Transition Bond Name: _____

Name of SPE:_____

Trustee(s): _____

Closing Date: _____

Dated Date: _____

Amount Issued: _____

Issuance Costs: _____

Coupon Rate(s): _____

Call Features: _____

Principal Amortization Schedule: (See Attachment 2)

Distributions to Investors : [every month][every quarter][semiannually]

commencing _____

Amount of Transition Property Sold: _____

Expected Annual Growth in Electricity Consumption: _____

Quarterly Servicing Fee: _____

Threshold for Implementation of the Quarterly True-Up Adjustment

Mechanism (if any): _____

Interest rate adder (See Formula Schedule, Section 1, fn 1): _____

Gross-up factor (See Formula Schedule, Section 1): _____

AUTOMATIC ADJUSTMENT MECHANISM

At least annually the servicer shall make a True-Up Mechanism filing (in the form attached hereto as Appendix A) to modify this Tariff in accordance with the Decision. If the specified threshold for implementation of the quarterly True-Up Adjustment Mechanism has been reached, the servicer will compare the actual outstanding balance of the Transition Property (computed on the basis of amounts actually received) with the expected outstanding balance as set forth in Attachment 1. If the variance is greater than the specified threshold, a change to the CTC Charges will be made via a quarterly True-Up Mechanism filing (in the form attached hereto as Appendix A) to modify this Tariff in accordance with the Decision.

At the time of any True-Up Mechanism filing, the allocation of revenue requirement among customer classes will be recalculated in accordance with the formula set forth under "CTC Charges" below. The amount of the adjustment (positive or negative) shall be recovered in the CTC Charges for usage of electricity during the shorter of (i) the twelve months following the effective date of the True-Up Mechanism filing, or (ii) the remaining period ending December 31, 2008.

CTC CHARGES

Table I below shows the current assumptions for each of the variables used in the CTC Charges calculation.

TABLE I	
Input Values for CTC Charges	
Expected monthly residential kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly general service kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly large light and power/special contracts kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly lighting kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly public authority – firm kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly public authority – interruptible kWh sales	
[Insert separate line for each of the next 12 months]	
Percent of revenue requirement allocated to residential customers	
Percent of revenue requirement allocated to general service customers	
Percent of revenue requirement allocated to large light and power/special contracts customers	
Percent of revenue requirement allocated to lighting customers	
Percent of revenue requirement allocated to public authority – firm customers	
Percent of revenue requirement allocated to public authority – interruptible customers	
Percent of residential customers' billed amounts expected to be uncollected	
Percent of general service customers' billed amounts expected to be uncollected	
Percent of large light and power/special contracts customers' billed amounts expected to be uncollected	
Percent of lighting customers' billed amounts expected to be uncollected	
Percent of public authority – firm customers' billed amounts expected to be uncollected	
Percent of public authority – interruptible customers' billed amounts expected to	

be uncollected	
[Insert the following six lines for each customer class (assumes that bills are written off after 6 months nonpayment)]	
Percent of billed amounts expected to be collected in current month	
Percent of billed amounts expected to be collected in second month after billing	
Percent of billed amounts expected to be collected in third month after billing	
Percent of billed amounts expected to be collected in fourth month after billing	
Percent of billed amounts expected to be collected in fifth month after billing	
Percent of billed amounts expected to be collected in sixth month after billing	
Expected Transition Property outstanding balance as of __/__/__ **[First day of the next quarter]**	

Table II shows the initial CTC Charges calculated for each class of customer.

TABLE II	
Residential Customer CTC Charge	¢/kWh
General Service Customer CTC Charge	¢/kWh
Large Light and Power/Special Contracts Customer CTC Charge	¢/kWh
Lighting Customer CTC Charge	¢/kWh
Public Authority – Firm CTC Charge	¢/kWh
Public Authority – Interruptible CTC Charge	¢/kWh

The revenue requirement has been allocated among classes of customers on the basis of the formula described in Section 2 of the Formula Schedule. At the time of any True-Up Mechanism filing, the Company will recalculate the allocation of revenue requirement in accordance with the foregoing formula and will include the effect of that reallocation in the recalculation of the CTC Charges.

EXIT FEES

[Any customer may deliver written notice to the Company that the customer elects, effective on a date not less than 60 days after the date such notice is actually received by the Company, to pay a one-time fee in lieu of continuing to pay monthly CTC Charges. The Company will calculate such fee as the customer's pro rata share of the then outstanding principal of, and accrued interest on, the Transition Property, such pro rata share to be based on the customer's usage for the most recent twenty-four complete billing cycles, together with interest at the rate of __%

[the **Transition Property interest rate**] for 30 days. Payment of the fee will be due and payable 30 days after a bill therefor is mailed to the customer. Failure to pay this fee when due may result in termination of service and other remedies. consistent with standard Commission policies. In addition, late payment of the fee will accrue interest at the rate of __% [**the Transition Property interest rate**].]

In the event that (a) any portion of the Company's distribution system is acquired by an entity other than a public service corporation regulated by the Commission, or (b) any portion of the Company's distribution system becomes subject to rate regulation other than by the Commission, unless either (i) provision is made for defeasance of the Transition Property and the CTBs with a portfolio of United States Treasury obligations or (ii) written consent is obtained from the SPE, the Company (or a successor servicer), and the CTB trustee, as soon as possible thereafter, for each of the Company's customers that will cease to receive electric distribution service from the Company at rates regulated by the Commission, the Company will calculate the obligation of each such customer to pay the Transition Property as each such customer's pro rata share of the then outstanding principal of, and accrued interest on, the Transition Property, such pro rata share to be based on each such customer's usage for the most recent twenty-four complete billing cycles, together with interest at the rate of __% [**the Transition Property interest rate**] for 30 days. The amount so calculated shall become due and payable by each of the Company's customers 30 days after a bill therefor is mailed to the customer. Failure to pay this fee when due may result in termination of service and other remedies, consistent with standard Commission policies. In addition, late payment of the amount owing will accrue interest at the rate of __% [**the Transition Property interest rate**].

APPLICABILITY

The CTC Charges will be applied to all electricity usage through December 31, 2008, and recovered from all existing and future consumers in the service territory in which the Company presently provides transmission and distribution service. except to the extent that consumers either (i) pursuant to R14-2-1607, reduce electricity purchases from the Company as a result of self-generation, demand-side management or other demand reduction attributable to any cause other than the retail access provisions of Article 14-2 or (ii) pay exit fees as set forth above.

EFFECTIVE DATE

In accordance with the Decision, these CTC Charges shall be effective as of the effective date stated herein upon the filing of this tariff without further action of the Commission and will continue to be effective, unless they are changed by a subsequent CTC Charges tariff or by a CTC Charges True-Up Mechanism filing.

NOTICE

Copies of this filing are being furnished to _____.

Enclosures

Attachment 1
Scheduled Collection for Transition Property[1]

Date	Principal	Interest	Total

[Monthly]

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[1] Determined in accordance with Section 1 of the Formula Schedule.

Attachment 2
Scheduled Principal Amortization and Interest Payments for Bonds[1]

Date	Principal	Interest	Total
[Quarterly]			

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[1] Determined in accordance with Section 3 of the Formula Schedule.

Section 1. Calculation of Competitive Transition Charge and Transition Component (CTC Charges) Revenue Requirement

The CTC Charges revenue requirement to be collected in any quarterly period shall reflect the sum of (i) the FSCA amortization and (ii) the allowed rate of interest on the unamortized balance of the FSCA. The quarterly amortization of the FSCA shall be established such that the quarterly CTC Charges revenue requirement is either levelized or declining on a projected per-kWh basis. Any amortization schedule incorporating a declining CTC Charges revenue requirement on a projected per-kWh basis shall not amortize the FSCA more rapidly than on an annual straight-line basis. Schedule D-1 provides an example of a quarterly amortization table that incorporates a levelized per-kWh charge.

The allowed rate of interest (INTRATE) on the unamortized balance of the FSCA shall be calculated as follows:

$$INTRATE_t = (\%DEBT \times K_{dt}) + (\%EQUITY \times K_e) \times [1 \div (1 - T)]$$

Where: %DEBT = Percent of Debt in Capital Structure = 65.0%
K_{dt} = Weighted Average Rate of Interest on Outstanding CTBs at time t[1]
%EQUITY = Percent of Common Equity in Capital Structure = 35.0%
K_e = Allowed Cost of Equity Capital = 10.67%
T = Composite Federal and State Income Tax Rate = 40.4%

In the attached example, the allowed INTRATE is calculated as follows:

$$INTRATE_1 = (65\% \times 7.10\%) + (35\% \times 10.5\%) \times [1 \div (1 - .4038)]$$
$$= 10.78\%$$

Apart from the true-up mechanism, the only component of the INTRATE calculation subject to change is the weighted average cost of the CTBs, which is expected to change over time as the CTBs principal is paid down. The initial value for the weighted average cost of the CTBs will be finalized upon pricing of the CTBs.

The allowed interest on the unamortized balance of the FSCA (INT) shall be calculated as follows for every quarterly period:

$$INT_t = FSCABAL_t \times INTRATE_t \times 0.25$$

Where: $FSCABAL_t$ = Unamortized Balance of the FSCA at time t

In the attached example, which includes a simplifying assumption that the rate of interest on outstanding CTBs remains constant over time, the allowed INT is calculated as follows:

$$INT_1 = \$821,000,000 \times 10.78\% \times 0.25 = \$22,125,950$$

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[1] The weighted average rate of interest on CTBs includes an adder designed to cover expected servicing fees, trustee fees, and payments for over-collateralization and other forms of credit enhancement, and other amounts necessary to accomplish the securitization of the Transition Property.

$INT_2 = \$810{,}937{,}001 \times 10.78\% \times 0.25 = \$21{,}854{,}752$
$\dots INT_{32} = \$36{,}356{,}922 \times 10.78\% \times 0.25 = \$979{,}819$

The quarterly amortization of the FSCA (AMORT) shall be established such that the quarterly CTC Charges revenue requirement is either levelized or declining on a projected per-kWh basis. Any amortization schedule incorporating a declining CTC Charges revenue requirement on a projected per-kWh basis shall not amortize the FSCA more rapidly than on an annual straight-line basis. Once the amortization schedule has been established, this amortization schedule shall only be subject to change pursuant to the true-up mechanism to reflect changes attributable to temporary under-collections or over-collections of CTC Charges revenues. The initial quarterly amortization schedule shall be calculated as follows:

$$AMORT_t = CTC\_REVREQ_t - RETURN_t$$

Where: CTC_REVREQ_t = Quarterly CTC Revenue Requirement at time t

In the attached example, the quarterly amortization amounts are calculated as follows:

$AMORT_1 = \$32{,}188{,}949 - \$22{,}125{,}950 = \$10{,}062{,}999$
$AMORT_2 = \$35{,}798{,}819 - \$21{,}854{,}752 = \$13{,}944{,}066$
$\dots AMORT_{32} = \$37{,}336{,}741 - \$979{,}819 = \$36{,}356{,}922$

Calculation of the quarterly CTC Charges revenue requirement is based on the initial FSCA balance ($FSCABAL_1$), the allowed rate of interest on the unamortized balance of the FSCA ($INTRATE_t$), the time period allowed for FSCA recovery, the projected kWh sales subject to the CTC Charges, and the trend line for projected per-kWh charges (levelized or declining). Once the quarterly values for the CTC Charges revenue requirement have been established, these values shall only be subject to change pursuant to the true-up mechanism to reflect changes attributable to temporary under-collections or over-collections of CTC Charges revenues. The initial schedule of quarterly CTC Charges revenue requirements shall be calculated such that (i) the net present value of the quarterly CTC Charges revenue requirements equals the initial balance of the FSCA (discounted at the quarterly INTRATE each quarter) and (ii) the quarterly CTC Charges revenue requirement is either levelized or declining on a projected per-kWh basis.

Given the initial balance of the FSCA ($FSCABAL_1$), the quarterly discount rate ($QINT_t$), the kWh sales projection for each quarter (KHW_t), and a quarterly payment factor ($PYMTFACTOR_t$) that expresses each projected per-kWh charge as a percentage of the initial per-kWh charge, the initial quarterly CTC Charges revenue requirement (CTC_REVREQ_1) can be calculated such that both conditions are met:

$$FSCABAL_1 = \sum_{t=1}^{n} \frac{CTC\_REVREQ_1 \times (KWH_t \div KWH_1) \times PYMTFACTOR_t}{(1 + QINT_t)^t}$$

which may be restated as follows:

FORMULA SCHEDULE

$$CTC\_REVREQ_1 = FSCABAL_1 \div \sum_{t=1}^{n} \frac{(KWH_t \div KWH_1) \times PYMTFACTOR_t}{(1 + QINT_t)^t}$$

Where: n = number of quarters allowed for recovery of the FSCA
$QINT_t$ = quarterly discount rate at time t = $INTRATE_t \times 0.25$
$PYMTFACTOR \leq 1.0$

Subsequent quarterly CTC Charges revenue requirements (CTC_REVREQ_t) are then derived by multiplying the initial quarterly CTC Charges revenue requirement by the ratio of projected sales to initial quarterly sales ($KWH_t \div KWH_1$) and by the quarterly payment factor ($PYMTFACTOR_t$). If the CTC Charges revenue requirement is to be levelized on a projected per-kWh basis, the quarterly payment factor should be set equal to 1.0 for each quarterly period. If the projected per-kWh charge is to decline over time, each quarterly payment factor should be set equal to or less than the payment factor for the immediately preceding quarter. The final quarterly payment factors shall be established upon pricing of the CTBs, and shall result in either a levelized or gradually declining CTC Charges revenue requirement on a projected per-kWh basis.

In the attached example, the initial quarterly CTC Charges revenue requirement is calculated to be $32,188,949. Using a levelized payment factor, subsequent quarterly revenue requirements are calculated as follows:

$$CTC\_REVREQ_2 = CTC\_REVREQ_1 \times (KWH_2 \div KWH_1) \times PYMTFACTOR_2$$
$$= \$32,188,949 \times (1,962,610 \div 1,764,705) \times 1.0$$
$$= \$35,798,819$$
$$\ldots CTC\_REVREQ_{32} = CTC\_REVREQ_1 \times (KWH_{32} \div KWH_1) \times PYMTFACTOR_{32}$$
$$= \$32,188,949 \times (2,046,924 \div 1,764,705) \times 1.0$$
$$= \$37,336,741$$

The quarterly CTC Charges revenue requirement described herein reflects the amount to be collected in cash each quarter for the purpose of recovering the FSCA with an appropriate rate of interest on the unamortized balance of the FSCA. This cash CTC Charges revenue requirement shall be grossed-up for billing purposes to reflect uncollectible accounts as well as the time lag between billing and cash collection. Based on expectations regarding future cash collections, and taking into account a 30 day billing cycle, the gross-up factor (GUFACTOR) shall be set equal to [__]% of the cash CTC Charges revenue requirement, such that the billed amount ($BILLED\_REVREQ_t$) is calculated as follows:

$$BILLED\_REVREQ_t = CTC\_REVREQ_t \times [1 + GUFACTOR]$$

Section 2. Allocation of Quarterly CTC Revenue Requirement

The BILLED_REVREQ for any quarterly period shall be allocated over the broad customer classes (as set forth in Schedule G-7 of the Company's pre-filed testimony in the Company's 1995 general rate case, excepting that the Large Light and Power and Special Contracts categories shall be combined) in a manner consistent with the Peak and Average allocation methodology as approved by the Arizona Corporation Commission. Consistent with this methodology, the BILLED_REVREQ shall be split into a Peak Component and an Average Component. The Peak Component shall be set at 46% of BILLED_REVREQ, and the Average Component shall be set at 54% of BILLED_REVREQ. In the event that there is an adjustment to the class CTC Charges pursuant to the quarterly true-up mechanism, allocations and unit cost (class CTC Charges) calculations for any quarter shall be based on loss-adjusted and metered energy respectively measured in the same quarter of the prior year. The allocation of the Peak Component shall be based on each class's share of the average of the total of 4 coincident peak demand, which is calculated by dividing each class's average demand (based on loss-adjusted energy, as referenced above), by a factor that varies by class; which factor is 0.52 for Residential, 0.49 for General Service, 0.87 for Large Light and Power, 3.45 for Lighting, 0.61 for Public Authority - Firm, and 0.80 for Public Authority – Interruptible.

FORMULA SCHEDULE

Section 3. Calculation of CTB Debt Service

The CTB debt service for any quarterly period shall reflect the sum of scheduled CTB principal payments and interest payments. The amortization schedule for quarterly principal payments shall be established using (i) a weighted average interest rate reflecting the maturity and interest rate for each class of CTBs and (ii) the same quarterly payment factors and projected kWh sales used to calculate the quarterly CTC Charges revenue requirement. The final amortization schedule shall be established upon pricing of the CTBs. Once established, the amortization schedule may only be changed pursuant to the true-up mechanism to reflect temporary under-collections of CTC Charges revenues. Schedule D-2 provides an example of an amortization schedule reflecting a 6.1% weighted average interest rate and a CTC Charges revenue requirement that is levelized on a projected per-kWh basis.

Quarterly debt service shall be calculated such that the net present value of quarterly debt service equals the initial principal balance of CTBs (discounted at the weighted average interest rate each quarter). Using the same kWh sales projections and quarterly payment factors used in determining the quarterly CTC Charges revenue requirements, the initial quarterly debt service can be calculated as follows:

$$PRINCBAL_1 = \sum_{t=1}^{n} \frac{DEBTSVC_1 \times (KWH_t \div KWH_1) \times PYMTFACTOR_t}{(1 + QINT_t)^t}$$

which may be restated as follows:

$$DEBTSVC_1 = PRINCBAL_1 \div \sum_{t=1}^{n} \frac{(KWH_t \div KWH_1) \times PYMTFACTOR_t}{(1 + QINT_t)^t}$$

Where: $PRINCBAL_1$ = Initial Principal Balance of CTBs
$DEBTSVC_1$ = Debt Service in First Quarter
KWH_t = Projected kWh sales in time period t
$PYMTFACTOR_t$ = CTC Charges Payment Factor in time period t
$QINT_t$ = Weighted Average Interest Rate at time t x 0.25
n = number of quarters allowed for recovery of the FSCA

Subsequent values for quarterly debt service may then be derived by multiplying the initial quarterly debt service by the ratio of projected sales to initial quarterly sales ($KWH_t \div KWH_1$) and by the CTC Charges payment factor ($PYMTFACTOR_t$). Since the weighted average interest rate for each quarter is a function of the principal amortization schedule, and since quarterly principal amortization is a function of the weighted average interest rate, the projected kWh sales and the quarterly payment factor, the calculations just described are iterative in nature.

In the attached example, where the weighted average interest rate is assumed to be constant over time, the initial quarterly debt service is calculated to be $27,057,645. Subsequent quarterly debt service payments are calculated as follows:

$$DEBTSVC_2 = DEBTSVC_1 \times (KWH_2 \div KWH_1) \times PYMTFACTOR_2$$
$$= \$27,057,645 \times (1,962,610 \div 1,764,705) \times 1.0$$
$$= \$30,092,058$$
$$\dots DEBTSVC_{32} = DEBTSVC_1 \times (KWH_{32} \div KWH_1) \times PYMTFACTOR_{32}$$
$$= \$27,057,645 \times (2,046,924 \div 1,764,705) \times 1.0$$
$$= \$31,384,817$$

Quarterly interest payments (INT_t) are derived by multiplying the principal balance for each quarter ($PRINCBAL_t$) by the quarterly interest rate ($QINT_t$):

$$INT_t = PRINCBAL_t \times QINT_t$$

Quarterly principal payments ($PRINC_t$) are derived by subtracting the quarterly interest payment (INT_t) from the quarterly debt service ($DEBTSVC_t$):

$$PRINC_t = DEBTSVC_t - INT_t$$

Once the aggregate debt service schedule has been established in the manner described above, a separate debt service schedule for each class of CTBs shall be developed. Schedule D-3 provides sample debt service schedules developed for eight different classes of CTBs. In this example the principal payments for each class are sequential, such that principal payments for Class One occur in quarters 1-4, Class Two principal payments occur in quarters 5-8, Class Three principal payments occur in quarters 9-12, etc. The actual number of classes and method of class amortization may differ from this example. The example also incorporates a simplifying assumption that the same interest rate would be applicable to each class, thereby resulting in a constant weighted average interest rate over time. In reality, each class will have its own unique interest rate, and the weighted average interest rate will change over time. The specific class structure to be used (i.e., number of classes and principal payment schedules), as well as the applicable interest rates, will be determined at the time the CTBs are priced. The final class structure will be established such that (i) the sum of scheduled class principal payments equals the principal payments on the aggregate debt service schedule, (ii) the net present value of debt service payments for each class equals the initial principal balance for each class (discounted at the interest rate for that class), and (iii) the aggregate CTB debt service on a projected per-kWh basis is levelized or declining as defined by the CTC Charges payment factor.

In the attached example, the principal payments for Class One ($p_{1,1}$ through $p_{1,4}$) correspond to the aggregate principal payments shown in quarters 1-4 on Schedule D-2. Likewise, the principal payments for Class Two ($p_{2,5}$ through $p_{2,8}$) correspond to the aggregate principal payments shown in quarters 5-8 on Schedule D-2. The quarterly sum of class interest payments ($i_{1,t} + i_{2,t} + i_{3,t} + i_{4,t} + i_{5,t} + i_{6,t} + i_{7,t} + i_{8,t}$) is also equal to the aggregate interest payment on Schedule D-2. Due to the use of a simplifying interest rate assumption, the weighted average interest rate (IAV_t) is equal to 6.10% in each quarter. The quarterly discount rate ($QINT_t$) used in the sample aggregate debt service schedule is therefore equal to 1.525% (= 6.10% x 0.25) in each quarter.

INITIAL RATE OF RETURN ON UNAMORTIZED BALANCE OF STRANDED COST ASSET

	% CAPITAL	COST	WTD. COST	PRE-TAX COST
EQUITY	35.00%	10.50%	3.68%	6.16%
DEBT	65.00%	7.10%	4.62%	4.62%
	100.00%		8.29%	10.78%

CTC RECOVERY (# QUARTERS): 32
NPV OF REVENUE REQUIREMENT: 821,000,000

EXAMPLE OF CTC REVENUE REQUIREMENT (QUARTERLY)

YEAR	QUARTER	NBV OF STRANDED COST	AMORTIZATION	RETURN AND INCOME TAXES	REVENUE REQUIREMENT	PROJECTED RETAIL MWH	PAYMENT FACTOR	CTC PER MWH	NPV RATE OF RETURN	NPV QUARTERLY ROR	NPV OF REVENUE REQ.	WTD. AVG. INTEREST RATE	FEES & OTHER COSTS	TOTAL WTD. COST
2001	1	821,000,000	10,062,999	22,125,950	32,188,949	1,764,705	1.000	$18.2404	10.78%	2.695%	31,344,223	6.100%	1.000%	7.100%
	2	810,937,001	13,944,066	21,854,752	35,798,819	1,962,610	1.000	$18.2404	10.78%	2.695%	33,944,553	6.100%	1.000%	7.100%
	3	796,992,934	24,045,246	21,478,960	45,524,206	2,495,788	1.000	$18.2404	10.78%	2.695%	42,033,396	6.100%	1.000%	7.100%
	4	772,947,688	11,822,647	20,830,940	32,653,588	1,790,178	1.000	$18.2404	10.78%	2.695%	29,358,489	6.100%	1.000%	7.100%
2002	5	761,125,040	12,312,363	20,512,320	32,824,683	1,799,558	1.000	$18.2404	10.78%	2.695%	28,737,835	6.100%	1.000%	7.100%
	6	748,812,678	16,284,183	20,180,502	36,464,685	1,999,115	1.000	$18.2404	10.78%	2.695%	31,086,847	6.100%	1.000%	7.100%
	7	732,528,494	26,695,423	19,741,643	46,437,066	2,545,834	1.000	$18.2404	10.78%	2.695%	38,549,582	6.100%	1.000%	7.100%
	8	705,833,072	14,309,747	19,022,201	33,331,949	1,827,368	1.000	$18.2404	10.78%	2.695%	26,944,263	6.100%	1.000%	7.100%
2003	9	691,523,324	14,812,790	18,636,554	33,449,344	1,833,804	1.000	$18.2404	10.78%	2.695%	26,329,579	6.100%	1.000%	7.100%
	10	676,710,534	18,878,738	18,237,349	37,116,087	2,034,827	1.000	$18.2404	10.78%	2.695%	28,449,143	6.100%	1.000%	7.100%
	11	657,831,796	29,603,282	17,728,567	47,331,849	2,594,889	1.000	$18.2404	10.78%	2.695%	35,327,360	6.100%	1.000%	7.100%
	12	628,228,514	17,068,351	16,930,758	33,999,110	1,863,944	1.000	$18.2404	10.78%	2.695%	24,710,183	6.100%	1.000%	7.100%
2004	13	611,160,163	17,627,991	16,470,766	34,098,757	1,869,407	1.000	$18.2404	10.78%	2.695%	24,132,241	6.100%	1.000%	7.100%
	14	593,532,172	21,796,403	15,995,692	37,792,095	2,071,888	1.000	$18.2404	10.78%	2.695%	26,044,185	6.100%	1.000%	7.100%
	15	571,735,769	32,838,819	15,408,279	48,247,098	2,645,066	1.000	$18.2404	10.78%	2.695%	32,376,635	6.100%	1.000%	7.100%
	16	538,896,950	20,165,088	14,523,273	34,688,360	1,901,731	1.000	$18.2404	10.78%	2.695%	22,667,049	6.100%	1.000%	7.100%
2005	17	518,731,862	20,742,227	13,979,824	34,722,050	1,903,578	1.000	$18.2404	10.78%	2.695%	22,093,640	6.100%	1.000%	7.100%
	18	497,989,635	25,023,132	13,420,821	38,443,952	2,107,625	1.000	$18.2404	10.78%	2.695%	23,819,939	6.100%	1.00C%	7.100%
	19	472,966,504	36,393,757	12,746,447	49,140,204	2,694,029	1.000	$18.2404	10.78%	2.695%	29,648,332	6.100%	1.000%	7.100%
	20	436,572,747	23,591,163	11,765,636	35,356,799	1,938,377	1.000	$18.2404	10.78%	2.695%	20,772,413	6.100%	1.000%	7.100%
2006	21	412,981,584	24,244,912	11,129,854	35,374,765	1,939,362	1.000	$18.2404	10.78%	2.695%	20,237,566	6.100%	1.000%	7.100%
	22	388,736,672	28,648,851	10,476,453	39,125,305	2,144,979	1.000	$18.2404	10.78%	2.695%	21,795,817	6.100%	1.000%	7.100%
	23	360,087,821	40,356,613	9,704,367	50,060,980	2,744,509	1.000	$18.2404	10.78%	2.695%	27,155,979	6.100%	1.000%	7.100%
	24	319,731,208	27,435,841	8,616,756	36,052,597	1,976,523	1.000	$18.2404	10.78%	2.695%	19,043,790	6.100%	1.000%	7.100%
2007	25	292,295,366	28,076,794	7,877,360	35,954,154	1,971,126	1.000	$18.2404	10.78%	2.695%	18,493,393	6.100%	1.000%	7.100%
	26	264,218,573	32,611,217	7,120,691	39,731,908	2,178,235	1.000	$18.2404	10.78%	2.695%	19,900,209	6.100%	1.000%	7.100%
	27	231,607,355	44,673,853	6,241,818	50,915,671	2,791,366	1.000	$18.2404	10.78%	2.695%	24,832,497	6.100%	1.000%	7.100%
	28	186,933,503	31,640,440	5,037,858	36,678,298	2,010,826	1.000	$18.2404	10.78%	2.695%	17,419,224	6.100%	1.000%	7.100%
2008	29	155,293,062	32,382,522	4,185,148	36,567,670	2,004,761	1.000	$18.2404	10.78%	2.695%	16,910,935	6.100%	1.000%	7.100%
	30	122,910,540	37,060,382	3,312,439	40,372,821	2,213,372	1.000	$18.2404	10.78%	2.695%	18,180,680	6.100%	1.000%	7.100%
	31	85,850,158	49,493,236	2,313,662	51,806,898	2,840,226	1.000	$18.2404	10.78%	2.695%	22,717,436	6.100%	1.000%	7.100%
	32	36,356,922	36,356,922	979,819	37,336,741	2,046,924	1.000	$18.2404	10.78%	2.695%	15,942,588	6.100%	1.000%	7.100%
			821,000,000	428,587,457	1,249,587,457	68,506,530					821,000,000			

FINAL MATURITY (# QUARTERS): 32
NPV OF DEBT SERVICE: 821,000,000

EXAMPLE OF SECURITIZED BOND DEBT SERVICE (QUARTERLY)

YEAR	QUARTER	BALANCE OF SECURITIZED BONDS	PRINCIPAL PAYMENT	INTEREST ON BONDS	DEBT SERVICE	PROJECTED RETAIL MWH	PAYMENT FACTOR	DEBT SERVICE PER MWH	NPV OF DEBT SERVICE WTD. AVG. INTEREST RATE	QUARTERLY DISCOUNT RATE	NPV OF DEBT SERVICE
2001	1	821,000,000	14,537,395	12,520,250	27,057,645	1,764,705	1.000	$15.3327	6.100%	1.525%	26,651,214
	2	806,462,605	17,793,503	12,298,555	30,092,058	1,962,610	1.000	$15.3327	6.100%	1.525%	29,194,826
	3	788,669,102	26,239,898	12,027,204	38,267,101	2,495,788	1.000	$15.3327	6.100%	1.525%	36,568,452
	4	762,429,205	15,821,169	11,627,045	27,448,214	1,790,178	1.000	$15.3327	6.100%	1.525%	25,835,811
2002	5	746,608,036	16,206,262	11,385,773	27,592,035	1,799,558	1.000	$15.3327	6.100%	1.525%	25,581,072
	6	730,401,774	19,513,150	11,138,627	30,651,777	1,999,115	1.000	$15.3327	6.100%	1.525%	27,990,952
	7	710,888,624	28,193,389	10,841,052	39,034,440	2,545,834	1.000	$15.3327	6.100%	1.525%	35,110,497
	8	682,695,235	17,607,334	10,411,102	28,018,436	1,827,368	1.000	$15.3327	6.100%	1.525%	24,823,322
2003	9	665,087,902	17,974,527	10,142,590	28,117,117	1,833,804	1.000	$15.3327	6.100%	1.525%	24,536,568
	10	647,113,375	21,330,858	9,868,479	31,199,337	2,034,827	1.000	$15.3327	6.100%	1.525%	26,817,321
	11	625,782,517	30,243,401	9,543,183	39,786,585	2,594,889	1.000	$15.3327	6.100%	1.525%	33,684,777
	12	595,539,115	19,497,272	9,081,972	28,579,244	1,863,944	1.000	$15.3327	6.100%	1.525%	23,832,783
2004	13	576,041,843	19,878,368	8,784,638	28,663,006	1,869,407	1.000	$15.3327	6.100%	1.525%	23,543,594
	14	556,163,475	23,286,088	8,481,493	31,767,581	2,071,888	1.000	$15.3327	6.100%	1.525%	25,701,719
	15	532,877,386	32,429,552	8,126,380	40,555,932	2,645,066	1.000	$15.3327	6.100%	1.525%	32,319,112
	16	500,447,834	21,526,790	7,631,829	29,158,620	1,901,731	1.000	$15.3327	6.100%	1.525%	22,887,533
2005	17	478,921,044	21,883,393	7,303,546	29,186,939	1,903,578	1.000	$15.3327	6.100%	1.525%	22,565,636
	18	457,037,651	25,345,701	6,969,824	32,315,525	2,107,625	1.000	$15.3327	6.100%	1.525%	24,609,186
	19	431,691,950	34,723,364	6,583,302	41,306,666	2,694,029	1.000	$15.3327	6.100%	1.525%	30,983,693
	20	396,968,586	23,666,730	6,053,771	29,720,501	1,938,377	1.000	$15.3327	6.100%	1.525%	21,958,171
2006	21	373,301,856	24,042,750	5,692,853	29,735,604	1,939,362	1.000	$15.3327	6.100%	1.525%	21,639,329
	22	349,259,106	27,562,060	5,326,201	32,888,262	2,144,979	1.000	$15.3327	6.100%	1.525%	23,574,091
	23	321,697,045	37,174,779	4,905,880	42,080,659	2,744,509	1.000	$15.3327	6.100%	1.525%	29,710,063
	24	284,522,266	25,966,416	4,338,965	30,305,381	1,976,523	1.000	$15.3327	6.100%	1.525%	21,075,010
2007	25	258,555,850	26,279,654	3,942,977	30,222,631	1,971,126	1.000	$15.3327	6.100%	1.525%	20,701,762
	26	232,276,196	29,855,953	3,542,212	33,398,165	2,178,235	1.000	$15.3327	6.100%	1.525%	22,533,293
	27	202,420,243	39,712,194	3,086,909	42,799,102	2,791,366	1.000	$15.3327	6.100%	1.525%	28,442,234
	28	162,708,049	28,350,040	2,481,298	30,831,338	2,010,826	1.000	$15.3327	6.100%	1.525%	20,181,267
2008	29	134,358,009	28,689,385	2,048,960	30,738,345	2,004,761	1.000	$15.3327	6.100%	1.525%	19,818,169
	30	105,668,624	32,325,463	1,611,447	33,936,909	2,213,372	1.000	$15.3327	6.100%	1.525%	21,551,740
	31	73,343,161	42,429,774	1,118,483	43,548,257	2,840,226	1.000	$15.3327	6.100%	1.525%	27,240,046
	32	30,913,387	30,913,387	471,429	31,384,817	2,046,924	1.000	$15.3327	6.100%	1.525%	19,336,758
			821,000,000	229,388,229	1,050,388,229	68,506,530					821,000,000

EXAMPLE OF DEBT SERVICE FOR SECURITIZED BONDS

	AMORTIZATION CLASS 1			AMORTIZATION CLASS 2			AMORTIZATION CLASS 3		
	ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%			ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%			ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%		
QUARTER	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT
1	$74,391,964 $b_{1,1}$	$1,134,477 $i_{1,1}$	$14,537,395 $p_{1,1}$	$81,520,134 $b_{2,1}$	$1,243,182 $i_{2,1}$	$0 $p_{2,1}$	$89,046,059 $b_{3,1}$	$1,357,952 $i_{3,1}$	$0 $p_{3,1}$
2	$59,854,569 $b_{1,2}$	$912,782 $i_{1,2}$	$17,793,503 $p_{1,2}$	$81,520,134 $b_{2,2}$	$1,243,182 $i_{2,2}$	$0 $p_{2,2}$	$89,046,059 $b_{3,2}$	$1,357,952 $i_{3,2}$	$0 $p_{3,2}$
3	$42,061,066 $b_{1,3}$	$641,431 $i_{1,3}$	$26,239,898 $p_{1,3}$	$81,520,134 $b_{2,3}$	$1,243,182 $i_{2,3}$	$0 $p_{2,3}$	$89,046,059 $b_{3,3}$	$1,357,952 $i_{3,3}$	$0 $p_{3,3}$
4	$15,821,169 $b_{1,4}$	$241,273 $i_{1,4}$	$15,821,169 $p_{1,4}$	$81,520,134 $b_{2,4}$	$1,243,182 $i_{2,4}$	$0 $p_{2,4}$	$89,046,059 $b_{3,4}$	$1,357,952 $i_{3,4}$	$0 $p_{3,4}$
5				$81,520,134 $b_{2,5}$	$1,243,182 $i_{2,5}$	$16,206,262 $p_{2,5}$	$89,046,059 $b_{3,5}$	$1,357,952 $i_{3,5}$	$0 $p_{3,5}$
6				$65,313,872 $b_{2,6}$	$996,037 $i_{2,6}$	$19,513,150 $p_{2,6}$	$89,046,059 $b_{3,6}$	$1,357,952 $i_{3,6}$	$0 $p_{3,6}$
7				$45,800,723 $b_{2,7}$	$698,461 $i_{2,7}$	$28,193,389 $p_{2,7}$	$89,046,059 $b_{3,7}$	$1,357,952 $i_{3,7}$	$0 $p_{3,7}$
8				$17,607,334 $b_{2,8}$	$268,512 $i_{2,8}$	$17,607,334 $p_{2,8}$	$89,046,059 $b_{3,8}$	$1,357,952 $i_{3,8}$	$0 $p_{3,8}$
9							$89,046,059 $b_{3,9}$	$1,357,952 $i_{3,9}$	$17,974,527 $p_{3,9}$
10							$71,071,532 $b_{3,10}$	$1,083,841 $i_{3,10}$	$21,330,858 $p_{3,10}$
11							$49,740,674 $b_{3,11}$	$758,545 $i_{3,11}$	$30,243,401 $p_{3,11}$
12							$19,497,272 $b_{3,12}$	$297,333 $i_{3,12}$	$19,497,272 $p_{3,12}$
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14									
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	$2,929,964		$74,391,964	$8,178,920		$81,520,134	$14,361,291		$89,046,059

EXAMPLE OF DEBT SERVICE FOR SECURITIZED BONDS

	AMORTIZATION CLASS 4			AMORTIZATION CLASS 5			AMORTIZATION CLASS 6		
	ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%			ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%			ANNUAL RATE = 6.100% QUARTERLY RATE = 1.525%		
QUARTER	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT
1	$b_{4,1}$ $97,120,799	$i_{4,1}$ $1,481,092		$b_{5,1}$ $105,619,188	$i_{5,1}$ $1,610,693	$0	$b_{6,1}$ $114,746,006	$i_{6,1}$ $1,749,877	$0
2	$b_{4,2}$ $97,120,799	$i_{4,2}$ $1,481,092		$b_{5,2}$ $105,619,188	$i_{5,2}$ $1,610,693	$0	$b_{6,2}$ $114,746,006	$i_{6,2}$ $1,749,877	$0
3	$b_{4,3}$ $97,120,799	$i_{4,3}$ $1,481,092		$b_{5,3}$ $105,619,188	$i_{5,3}$ $1,610,693	$0	$b_{6,3}$ $114,746,006	$i_{6,3}$ $1,749,877	$0
4	$b_{4,4}$ $97,120,799	$i_{4,4}$ $1,481,092		$b_{5,4}$ $105,619,188	$i_{5,4}$ $1,610,693	$0	$b_{6,4}$ $114,746,006	$i_{6,4}$ $1,749,877	$0
5	$b_{4,5}$ $97,120,799	$i_{4,5}$ $1,481,092		$b_{5,5}$ $105,619,188	$i_{5,5}$ $1,610,693	$0	$b_{6,5}$ $114,746,006	$i_{6,5}$ $1,749,877	$0
6	$b_{4,6}$ $97,120,799	$i_{4,6}$ $1,481,092		$b_{5,6}$ $105,619,188	$i_{5,6}$ $1,610,693	$0	$b_{6,6}$ $114,746,006	$i_{6,6}$ $1,749,877	$0
7	$b_{4,7}$ $97,120,799	$i_{4,7}$ $1,481,092		$b_{5,7}$ $105,619,188	$i_{5,7}$ $1,610,693	$0	$b_{6,7}$ $114,746,006	$i_{6,7}$ $1,749,877	$0
8	$b_{4,8}$ $97,120,799	$i_{4,8}$ $1,481,092		$b_{5,8}$ $105,619,188	$i_{5,8}$ $1,610,693	$0	$b_{6,8}$ $114,746,006	$i_{6,8}$ $1,749,877	$0
9	$b_{4,9}$ $97,120,799	$i_{4,9}$ $1,481,092		$b_{5,9}$ $105,619,188	$i_{5,9}$ $1,610,693	$0	$b_{6,9}$ $114,746,006	$i_{6,9}$ $1,749,877	$0
10	$b_{4,10}$ $97,120,799	$i_{4,10}$ $1,481,092		$b_{5,10}$ $105,619,188	$i_{5,10}$ $1,610,693	$0	$b_{6,10}$ $114,746,006	$i_{6,10}$ $1,749,877	$0
11	$b_{4,11}$ $97,120,799	$i_{4,11}$ $1,481,092		$b_{5,11}$ $105,619,188	$i_{5,11}$ $1,610,693	$0	$b_{6,11}$ $114,746,006	$i_{6,11}$ $1,749,877	$0
12	$b_{4,12}$ $97,120,799	$i_{4,12}$ $1,481,092		$b_{5,12}$ $105,619,188	$i_{5,12}$ $1,610,693	$0	$b_{6,12}$ $114,746,006	$i_{6,12}$ $1,749,877	$0
13	$b_{4,13}$ $97,120,799	$i_{4,13}$ $1,481,092	$19,878,368 $p_{4,13}$	$b_{5,13}$ $105,619,188	$i_{5,13}$ $1,610,693	$0	$b_{6,13}$ $114,746,006	$i_{6,13}$ $1,749,877	$0
14	$b_{4,14}$ $77,242,431	$i_{4,14}$ $1,177,947	$23,286,088 $p_{4,14}$	$b_{5,14}$ $105,619,188	$i_{5,14}$ $1,610,693	$0	$b_{6,14}$ $114,746,006	$i_{6,14}$ $1,749,877	$0
15	$b_{4,15}$ $53,956,342	$i_{4,15}$ $822,834	$32,429,552 $p_{4,15}$	$b_{5,15}$ $105,619,188	$i_{5,15}$ $1,610,693	$0	$b_{6,15}$ $114,746,006	$i_{6,15}$ $1,749,877	$0
16	$b_{4,16}$ $21,526,790	$i_{4,16}$ $328,284	$21,526,790 $p_{4,16}$	$b_{5,16}$ $105,619,188	$i_{5,16}$ $1,610,693	$0	$b_{6,16}$ $114,746,006	$i_{6,16}$ $1,749,877	$0
17				$b_{5,17}$ $105,619,188	$i_{5,17}$ $1,610,693	$21,883,393 $p_{4,17}$	$b_{6,17}$ $114,746,006	$i_{6,17}$ $1,749,877	$0
18				$b_{5,18}$ $83,735,795	$i_{5,18}$ $1,276,971	$25,345,701 $p_{4,18}$	$b_{6,18}$ $114,746,006	$i_{6,18}$ $1,749,877	$0
19				$b_{5,19}$ $58,390,094	$i_{5,19}$ $890,449	$34,723,364 $p_{4,19}$	$b_{6,19}$ $114,746,006	$i_{6,19}$ $1,749,877	$0
20				$b_{5,20}$ $23,666,730	$i_{5,20}$ $360,918	$23,666,730 $p_{4,20}$	$b_{6,20}$ $114,746,006	$i_{6,20}$ $1,749,877	$0
21							$b_{6,21}$ $114,746,006	$i_{6,21}$ $1,749,877	$24,042,750 $p_{6,21}$
22							$b_{6,22}$ $90,703,256	$i_{6,22}$ $1,383,225	$27,562,060 $p_{6,22}$
23							$b_{6,23}$ $63,141,196	$i_{6,23}$ $962,903	$37,174,779 $p_{6,23}$
24							$b_{6,24}$ $25,966,416	$i_{6,24}$ $395,988	$25,966,416 $p_{6,24}$
25									
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31									
32									
		$21,583,263	$97,120,799		$29,910,112	$105,619,188		$39,489,524	$114,746,006

EXAMPLE OF DEBT SERVICE FOR SECURITIZED BONDS

	AMORTIZATION CLASS 7			AMORTIZATION CLASS 8		
	ANNUAL RATE = 6.100%			ANNUAL RATE = 6.100%		
	QUARTERLY RATE = 1.525%			QUARTERLY RATE = 1.525%		
QUARTER	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT
1	$124,197,841 $b_{7,1}$	$1,894,017 $i_{7,1}$	$0	$134,358,009 $b_{8,1}$	$2,048,960 $i_{8,1}$	$0
2	$124,197,841 $b_{7,2}$	$1,894,017 $i_{7,2}$	$0	$134,358,009 $b_{8,2}$	$2,048,960 $i_{8,2}$	$0
3	$124,197,841 $b_{7,3}$	$1,894,017 $i_{7,3}$	$0	$134,358,009 $b_{8,3}$	$2,048,960 $i_{8,3}$	$0
4	$124,197,841 $b_{7,4}$	$1,894,017 $i_{7,4}$	$0	$134,358,009 $b_{8,4}$	$2,048,960 $i_{8,4}$	$0
5	$124,197,841 $b_{7,5}$	$1,894,017 $i_{7,5}$	$0	$134,358,009 $b_{8,5}$	$2,048,960 $i_{8,5}$	$0
6	$124,197,841 $b_{7,6}$	$1,894,017 $i_{7,6}$	$0	$134,358,009 $b_{8,6}$	$2,048,960 $i_{8,6}$	$0
7	$124,197,841 $b_{7,7}$	$1,894,017 $i_{7,7}$	$0	$134,358,009 $b_{8,7}$	$2,048,960 $i_{8,7}$	$0
8	$124,197,841 $b_{7,8}$	$1,894,017 $i_{7,8}$	$0	$134,358,009 $b_{8,8}$	$2,048,960 $i_{8,8}$	$0
9	$124,197,841 $b_{7,9}$	$1,894,017 $i_{7,9}$	$0	$134,358,009 $b_{8,9}$	$2,048,960 $i_{8,9}$	$0
10	$124,197,841 $b_{7,10}$	$1,894,017 $i_{7,10}$	$0	$134,358,009 $b_{8,10}$	$2,048,960 $i_{8,10}$	$0
11	$124,197,841 $b_{7,11}$	$1,894,017 $i_{7,11}$	$0	$134,358,009 $b_{8,11}$	$2,048,960 $i_{8,11}$	$0
12	$124,197,841 $b_{7,12}$	$1,894,017 $i_{7,12}$	$0	$134,358,009 $b_{8,12}$	$2,048,960 $i_{8,12}$	$0
13	$124,197,841 $b_{7,13}$	$1,894,017 $i_{7,13}$	$0	$134,358,009 $b_{8,13}$	$2,048,960 $i_{8,13}$	$0
14	$124,197,841 $b_{7,14}$	$1,894,017 $i_{7,14}$	$0	$134,358,009 $b_{8,14}$	$2,048,960 $i_{8,14}$	$0
15	$124,197,841 $b_{7,15}$	$1,894,017 $i_{7,15}$	$0	$134,358,009 $b_{8,15}$	$2,048,960 $i_{8,15}$	$0
16	$124,197,841 $b_{7,16}$	$1,894,017 $i_{7,16}$	$0	$134,358,009 $b_{8,16}$	$2,048,960 $i_{8,16}$	$0
17	$124,197,841 $b_{7,17}$	$1,894,017 $i_{7,17}$	$0	$134,358,009 $b_{8,17}$	$2,048,960 $i_{8,17}$	$0
18	$124,197,841 $b_{7,18}$	$1,894,017 $i_{7,18}$	$0	$134,358,009 $b_{8,18}$	$2,048,960 $i_{8,18}$	$0
19	$124,197,841 $b_{7,19}$	$1,894,017 $i_{7,19}$	$0	$134,358,009 $b_{8,19}$	$2,048,960 $i_{8,19}$	$0
20	$124,197,841 $b_{7,20}$	$1,894,017 $i_{7,20}$	$0	$134,358,009 $b_{8,20}$	$2,048,960 $i_{8,20}$	$0
21	$124,197,841 $b_{7,21}$	$1,894,017 $i_{7,21}$	$0	$134,358,009 $b_{8,21}$	$2,048,960 $i_{8,21}$	$0
22	$124,197,841 $b_{7,22}$	$1,894,017 $i_{7,22}$	$0	$134,358,009 $b_{8,22}$	$2,048,960 $i_{8,22}$	$0
23	$124,197,841 $b_{7,23}$	$1,894,017 $i_{7,23}$	$0	$134,358,009 $b_{8,23}$	$2,048,960 $i_{8,23}$	$0
24	$124,197,841 $b_{7,24}$	$1,894,017 $i_{7,24}$	$0	$134,358,009 $b_{8,24}$	$2,048,960 $i_{8,24}$	$0
25	$124,197,841 $b_{7,25}$	$1,894,017 $i_{7,25}$	$26,279,654 $p_{7,25}$	$134,358,009 $b_{8,25}$	$2,048,960 $i_{8,25}$	$0
26	$97,918,187 $b_{7,26}$	$1,493,252 $i_{7,26}$	$29,855,953 $p_{7,26}$	$134,358,009 $b_{8,26}$	$2,048,960 $i_{8,26}$	$0
27	$68,062,234 $b_{7,27}$	$1,037,949 $i_{7,27}$	$39,712,194 $p_{7,27}$	$134,358,009 $b_{8,27}$	$2,048,960 $i_{8,27}$	$0
28	$28,350,040 $b_{7,28}$	$432,338 $i_{7,28}$	$28,350,040 $p_{7,28}$	$134,358,009 $b_{8,28}$	$2,048,960 $i_{8,28}$	$0
29				$134,358,009 $b_{8,29}$	$2,048,960 $i_{8,29}$	$28,689,385 $p_{8,29}$
30				$105,668,624 $b_{8,30}$	$1,611,447 $i_{8,30}$	$32,325,463 $p_{8,30}$
31				$73,343,161 $b_{8,31}$	$1,118,483 $i_{8,31}$	$42,429,774 $p_{8,31}$
32				$30,913,387 $b_{8,32}$	$471,429 $i_{8,32}$	$30,913,387 $p_{8,32}$
		$50,313,966	$124,197,841		$62,621,188	$134,358,009

EXAMPLE OF DEBT SERVICE FOR SECURITZED BONDS

	GRAND TOTAL OF AMORTIZATION CLASS SCHEDULES					AGGREGATE DEBT SERVICE SCHEDULE			
QUARTER	BEGINNING BALANCE	INTEREST PAYMENT	PRINCIPAL PAYMENT	TOTAL DEBT SERVICE	WTD. AVG. INT. RATE	MWH SALES	DEBT SERVICE PER MWH	AGGREGATE DEBT SERVICE	DIFF. FROM GRAND TOTAL
1	$821,000,000	$12,520,250	$14,537,395	$27,057,645	6.100%	1,764,705	$15.33	$27,057,645	$0
2	$806,462,605	$12,298,555	$17,793,503	$30,092,058	6.100%	1,962,610	$15.33	$30,092,058	$0
3	$788,669,102	$12,027,204	$26,239,898	$38,267,101	6.100%	2,495,788	$15.33	$38,267,101	$0
4	$762,429,205	$11,627,045	$15,821,169	$27,448,214	6.100%	1,790,178	$15.33	$27,448,214	$0
5	$746,608,036	$11,385,773	$16,206,262	$27,592,035	6.100%	1,799,558	$15.33	$27,592,035	$0
6	$730,401,774	$11,138,627	$19,513,150	$30,651,777	6.100%	1,999,115	$15.33	$30,651,777	$0
7	$710,888,624	$10,841,052	$28,193,389	$39,034,440	6.100%	2,545,834	$15.33	$39,034,440	$0
8	$682,695,235	$10,411,102	$17,607,334	$28,018,436	6.100%	1,827,368	$15.33	$28,018,436	$0
9	$665,087,902	$10,142,590	$17,974,527	$28,117,117	6.100%	1,833,804	$15.33	$28,117,117	$0
10	$647,113,375	$9,868,479	$21,330,858	$31,199,337	6.100%	2,034,827	$15.33	$31,199,337	$0
11	$625,782,517	$9,543,183	$30,243,401	$39,786,585	6.100%	2,594,889	$15.33	$39,786,585	$0
12	$595,539,115	$9,081,972	$19,497,272	$28,579,244	6.100%	1,863,944	$15.33	$28,579,244	$0
13	$576,041,843	$8,784,638	$19,878,368	$28,663,006	6.100%	1,869,407	$15.33	$28,663,006	$0
14	$556,163,475	$8,481,493	$23,286,088	$31,767,581	6.100%	2,071,888	$15.33	$31,767,581	$0
15	$532,877,386	$8,126,380	$32,429,552	$40,555,932	6.100%	2,645,066	$15.33	$40,555,932	$0
16	$500,447,834	$7,631,829	$21,526,790	$29,158,620	6.100%	1,901,731	$15.33	$29,158,620	$0
17	$478,921,044	$7,303,546	$21,883,393	$29,186,939	6.100%	1,903,578	$15.33	$29,186,939	$0
18	$457,037,651	$6,969,824	$25,345,701	$32,315,525	6.100%	2,107,625	$15.33	$32,315,525	$0
19	$431,691,950	$6,583,302	$34,723,364	$41,306,666	6.100%	2,694,029	$15.33	$41,306,666	$0
20	$396,968,586	$6,053,771	$23,666,730	$29,720,501	6.100%	1,938,377	$15.33	$29,720,501	$0
21	$373,301,856	$5,692,853	$24,042,750	$29,735,604	6.100%	1,939,362	$15.33	$29,735,604	$0
22	$349,259,106	$5,326,201	$27,562,060	$32,888,262	6.100%	2,144,979	$15.33	$32,888,262	$0
23	$321,697,045	$4,905,880	$37,174,779	$42,080,659	6.100%	2,744,509	$15.33	$42,080,659	$0
24	$284,522,266	$4,338,965	$25,966,416	$30,305,381	6.100%	1,976,523	$15.33	$30,305,381	$0
25	$258,555,850	$3,942,977	$26,279,654	$30,222,631	6.100%	1,971,126	$15.33	$30,222,631	$0
26	$232,276,196	$3,542,212	$29,855,953	$33,398,165	6.100%	2,178,235	$15.33	$33,398,165	$0
27	$202,420,243	$3,086,909	$39,712,194	$42,799,102	6.100%	2,791,366	$15.33	$42,799,102	$0
28	$162,708,049	$2,481,298	$28,350,040	$30,831,338	6.100%	2,010,826	$15.33	$30,831,338	$0
29	$134,358,009	$2,048,960	$28,689,385	$30,738,345	6.100%	2,004,761	$15.33	$30,738,345	$0
30	$105,668,624	$1,611,447	$32,325,463	$33,936,909	6.100%	2,213,372	$15.33	$33,936,909	$0
31	$73,343,161	$1,118,483	$42,429,774	$43,548,257	6.100%	2,840,226	$15.33	$43,548,257	$0
32	$30,913,387	$471,429	$30,913,387	$31,384,817	6.100%	2,046,924	$15.33	$31,384,817	$0
		$229,388,229	$821,000,000	$1,050,388,229	6.100%	68,506,530		$1,050,388,229	$0

Appendix A

Competition Transition Charge and Transition Component Tariff
True-Up Mechanism

Pursuant to Arizona Corporations Commission Decision No. _____ (the "Decision"), Tucson Electric Power Company (the "Company") as servicer of the Competition Transition Bonds (the "Bonds") and on behalf of the SPE is required to apply for adjustments to the CTC Charges at least 15 days before the end of each calendar year. In addition, the servicer is authorized to apply for adjustments to the CTC Charges at least 15 days before the end of each quarter if in the previous quarter the variance between the expected outstanding Transition Property principal balance and the actual outstanding principal balance exceeds the specified threshold.

[Attachment 1, the Company's Quarterly Servicer Certificate for the _____ quarter of ____, shows that the variance between the expected Transition Property outstanding balance and the actual outstanding balance exceeds the specified threshold. Therefore, in accordance with the Decision, the Company, as servicer of the Bonds, hereby revises the CTC Charges.]

PURPOSE

This filing establishes revised CTC Charges.

BACKGROUND

In the Decision, the Commission required the Company to make a True-Up Mechanism filing annually, at least 15 days before the end of the calendar year. In addition, the Commission authorized the Company to make a True-Up Mechanism filing on a quarterly basis, at least 15 days before the end of the calendar quarter, whereby the Company uses the methodology authorized by the Commission in the Decision and established in the Tariff filed on _____ pursuant to the Decision to revise existing CTC Charges.

Using the methodology approved by the Commission in the Decision and the above referenced tariff, this filing modifies the variables used in the CTC Charges calculations and provides the resulting modified CTC Charges. Table I shows the revised assumptions for each of the variables used in calculating the CTC Charges. Attachment 2 shows the revised collection schedule for the Transition Property.

TABLE I	
Input Values for Revised CTC Charges	
Expected monthly residential kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly general service kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly large light and power/special contracts kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly lighting kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly public authority – firm kWh sales	
[Insert separate line for each of the next 12 months]	
Expected monthly public authority – interruptible kWh sales	
[Insert separate line for each of the next 12 months]	
Percent of revenue requirement allocated to residential customers	
Percent of revenue requirement allocated to general service customers	
Percent of revenue requirement allocated to large light and power/special contracts customers	
Percent of revenue requirement allocated to lighting customers	
Percent of revenue requirement allocated to public authority – firm customers	
Percent of revenue requirement allocated to public authority – interruptible customers	
Percent of residential customers' billed amounts expected to be uncollected	
Percent of general service customers' billed amounts expected to be uncollected	
Percent of large light and power/special contracts customers' billed amounts expected to be uncollected	
Percent of lighting customers' billed amounts expected to be uncollected	
Percent of public authority – firm customers' billed amounts expected to be uncollected	
Percent of public authority – interruptible customers' billed amounts expected to be uncollected	
[Insert the following six lines for each customer class (assumes that	

bills are written off after 6 months nonpayment)]	
Percent of billed amounts expected to be collected in current month	
Percent of billed amounts expected to be collected in second month after billing	
Percent of billed amounts expected to be collected in third month after billing	
Percent of billed amounts expected to be collected in fourth month after billing	
Percent of billed amounts expected to be collected in fifth month after billing	
Percent of billed amounts expected to be collected in sixth month after billing	
Expected Transition Property outstanding balance as of __/__/__ **[First day of the next quarter]**	

Table II shows the revised CTC Charges calculated for each class of customer.

TABLE II	
Residential Customer CTC Charge	¢/kWh
General Service Customer CTC Charge	¢/kWh
Large Light and Power/Special Contracts Customer CTC Charge	¢/kWh
Lighting Customer CTC Charge	¢/kWh
Public Authority – Firm Customer CTC Charge	¢/kWh
Public Authority – Interruptible Customer CTC Charge	¢/kWh

The revenue requirement has been allocated among classes of customers on the basis of Section 2 of the Formula Schedule attached to the tariff filed on _____.

EFFECTIVE DATE

In accordance with the Decision, True-Up Mechanism filings for annual CTC Charges adjustments shall be filed at least 15 days before the end of the calendar year, and these adjustments to CTC Charges shall be effective at the beginning of the next calendar year. In accordance with the Decision, True-Up Mechanism filings for quarterly CTC Charges adjustments shall be filed at least 15 days before the end of a calendar quarter and these adjustments to CTC Charges shall be effective at the beginning of the next calendar quarter. No further action of the Commission is required. Therefore, these CTC Charges shall be effective ___ 1, [year].

NOTICE

Copies of this filing are being furnished to _____.

Tucson Electric Power Company's Quarterly Servicer Certificate

Date: [End of calendar quarter preceding the True-Up Mechanism filing]

Expected Transition Property Principal Amount:

Actual Transition Property Principal Amount:

Principal Amount Difference:

Percentage Difference:

Attachment 2
Revised Scheduled Collection for Transition Property[1]

Date	Principal	Interest	Total

[Monthly]

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[1] Determined in accordance with Section 1 of the Formula Schedule.